Department of Veterans Affairs

Office of Inspector General

EVALUATION OF VHA'S INCOME VERIFICATION MATCH PROGRAM

Increased oversight and improved procedures can prevent unnecessary income verification, ensure compliance with Privacy Act requirements and increase MCCF collections.

Report No. 9R1-G01-054
Date: March 15, 1999

Office of Inspector General
Washington DC 20420

DEPARTMENT OF VETERANS AFFAIRS
Office of Inspector General
Washington DC 20420

Memorandum to the Under Secretary for Health (10)

Evaluation of VHA's Income Verification Match Program

1. The Office of Inspector General (OIG) conducted an evaluation of the Department of Veterans Affairs (VA) Veterans Health Administration's (VHA) Income Verification Match (IVM) Program. The purpose of our evaluation was to: (i) follow-up on the implementation of recommendations made in a March 27, 1996 OIG report, entitled *Review of VHA's Income Verification Match Program*, and (ii) to determine whether there are opportunities for VHA to conduct the IVM program in a more efficient and cost effective manner.

2. For purposes of our follow-up evaluation we focused on VHA's Health Eligibility Center (HEC) Fiscal Year (FY) 1997 match results. During FY 1997, the HEC records indicated income verification was completed for 59,420 cases resulting in 52,105 referrals made to VHA facilities for appropriate billing and collection for patient treatment. According to HEC records, the FY 1997 referrals had billings totaling $13.2 million in co-payments and $4.9 million from health insurance carriers. During FY 1997 the IVM program required 52 full-time equivalent employees and costs totaled $5.1 million.

3. First, our review found that the OIG's recommendations were not fully implemented. We found that (i) medical facilities had not properly billed 170 (40 percent) of 420 HEC billing referrals tested resulting in an estimated loss of $4.8 million in collections, (ii) the HEC had not verified income for multiple years resulting in additional unnecessary case processing costs of $589,138, and (iii) programming to enable the HEC to electronically correct C&P disability status inaccuracies in veterans' records was still being field tested.

4. Second, we concluded that by properly means testing veterans, VHA can better ensure compliance with Privacy Act requirements, increase Medical Care Cost Fund (MCCF) collections and prevent unnecessary income verification. We found and verified with each facility that 195 (46.4 percent) of the 420 cases sampled, did not have a veteran signed means test on file. In most of these cases, the veterans were not actually means tested and consequently should not have been referred for income matching and verification. Some veterans who were not means tested participated in a "free" veterans health care screening event. Such screening events help medical centers increase patient enrollment and obtain workload credit, which in turn impacts the amount of funds allocated to the medical center. When medical centers strive to increase patient workload and fail to conduct means tests they risk violating both Privacy Act requirements and VA's matching agreement with the Internal Revenue Service (IRS). In addition, the medical centers create customer relation problems, lose needed revenues due to untimely billings, and create unnecessary income verification work. By ensuring that signed means test forms were obtained for all veterans required to furnish income information, VHA could have (i) documented an estimated 24,192 veterans' attestation of income and receipt of Privacy Act information before matching with

the IRS and Social Security Administration (SSA), (ii) increased MCCF collections $5.7 million by billing veterans and insurance carriers in a timely manner, and (iii) avoided unnecessary income verification workload and associated case processing costs of nearly $2.1 million at the HEC.

5. Third, we identified additional opportunities to conduct IVM operations in a more efficient and cost effective manner by:

- Ensuring all HEC cases are referred to VHA facilities for billing, MCCF collections could increase by $244,460;
- Working only those cases with 3 or more outpatient visits, the VHA could avoid an annual net loss of $1,131,190 and improve the HEC's operating cost/benefit ratio; and,
- Obtaining correct social security numbers (SSNs) from veterans to verify income with IRS/SSA, the HEC could identify an additional 20,400 cases for referral to VHA facilities, increasing collections by an estimated $3.4 million.

6. In summary, VHA can ensure compliance with Privacy Act requirements, increase funding available for health care by $14.2 million, and put resources valued at $3.8 million to better use, by requiring Veterans Integrated Service Network (VISN) Directors to establish performance monitors for means testing activities and billing and collection of HEC referrals. Additionally, to further ensure achievement of these monetary benefits, VHA management needs to implement previous recommendations and the VHA Chief Information Officer needs to increase oversight of HEC activities, to include developing performance measures and monitoring periodic performance reports. VHA also needs to expedite action to centralize means testing activities at the HEC.

7. We recommended that VHA improve IVM program activities by:

a. Requiring the VHA Chief Network Officer to ensure that VISN Directors establish performance standards and quality monitors for means testing activities and billing and collection of HEC referrals.

b. Requiring the VHA Chief Information Officer to develop performance measures and monitor periodic performance reports.

c. Expediting action to centralize means testing activities at the HEC.

8. You concurred with the findings, recommendations, and estimated monetary benefits. You also provided acceptable implementation plans and we consider all issues resolved. However, we will follow up on the implementation of planned corrective actions.

For the Assistant Inspector General for Auditing,

(Original signed by:)

THOMAS L CARGILL, JR
Director, Bedford Operations Division

TABLE OF CONTENTS

RESULTS AND RECOMMENDATIONS

VHA Can Improve Means Testing and Income Verification Procedures

Our review of the Veterans Health Administration's (VHA) Income Verification Match (IVM) program identified opportunities to improve means testing and income verification procedures. We found that recommendations in our March 27, 1996 report were not fully implemented resulting in lost collections of $4.8 million and unnecessary verification case processing costs of $589,138. We also identified opportunities for VHA to conduct IVM operations in a more efficient manner, enhance Medical Care Cost Fund (MCCF) recoveries, and improve service to veterans by:

- Ensuring that signed means test forms were obtained for all veterans required to furnish income information, VHA could have (a) documented an estimated 24,192 veterans' attestation of income and receipt of Privacy Act information before matching with the Internal Revenue Service (IRS) and Social Security Administration (SSA), (b) increased MCCF collections $5.7 million by billing veterans and insurance carriers in a timely manner, and (c) avoided unnecessary income verification workload and associated case processing costs of nearly $2.1 million at the Health Eligibility Center (HEC).

- Obtaining correct social security numbers (SSNs) from veterans to verify income with IRS/SSA, the HEC could identify an additional 20,400 cases for referral to VHA facilities, increasing collections by an estimated $3.4 million.

- Working only those cases with three or more outpatient visits, the VHA could avoid an annual net loss of $1,131,190 and improve the HEC's operating cost/benefit ratio.

- Ensuring all HEC cases are referred to VHA facilities for billing, MCCF collections could increase by $244,460.

We concluded VHA can ensure compliance with Privacy Act requirements, increase funding available for health care by $14.2 million, and put resources valued at $3.8 million to better use, by requiring Veterans Integrated Service Network (VISN) Directors to establish performance monitors for means testing activities and billing and collection of HEC referrals. Additionally, to further ensure achievement of these monetary benefits, VHA management needs to implement previous recommendations and the Chief Information Officer needs to increase oversight of HEC activities, to include developing performance measures and monitoring periodic performance reports. VHA also needs to expedite action to centralize means testing activities at the HEC.

Means Testing and Income Verification Procedures

In accordance with Title 38, U.S.C., VHA collects fees (co-payments) for medical care and medications provided certain veterans for non-service-connected (NSC) conditions. VHA also collects from third party health insurers the cost of medical care furnished to insured veterans for treatment of NSC conditions. Each year veterans who may be subject to medical co-payments must provide VHA with family income information (means test) and health insurance information. By signing their means test disclosures, veterans attest to the accuracy of the income information and certify receipt of a copy of the Privacy Act Statement. The Privacy Act Statement advises veterans that the income information they provide is subject to verification by computer matching with the income records of the IRS and the SSA. VHA facilities are required to retain signed means test forms in the veterans' administrative records. In addition, veterans must make co-payments if their families' annual income exceed statutory levels.

Veterans with income below statutory levels are eligible to receive VHA medical care at no charge. The HEC in Atlanta, GA conducts computer matches with the IRS and SSA to verify veterans' reported incomes. The HEC relies on information gathered by each facility to determine which veterans are income matched. The HEC also relies on each facility to obtain accurate social security numbers (SSNs) for veterans and their spouses in order to be able to obtain income information from the IRS and SSA. Generally, some veterans are exempt from co-payments and VHA income verification matching with the IRS and SSA if they receive compensation and pension (C&P) benefit payments or obtain certain medical services, such as Gulf War Registry or C&P disability examinations. Veterans, subject to income matching, whose incomes are confirmed by the HEC to exceed statutory thresholds are referred to the VHA facility which provided medical care for appropriate billing and collection for medical services received. The Balanced Budget Act of 1997 (Public Law 105-33) allows VA to retain MCCF funds collected after June 30, 1997, to supplement annual appropriations and finance the cost of serving additional veterans. During FY 1997, HEC records indicate verification was completed for 59,420 cases resulting in 52,105 referrals being made to VHA facilities for appropriate billing and collection. According to HEC records, the FY 1997 referrals had billings totaling $13.2 million in co-payments and $4.9 million from health insurance carriers. During FY 1997, the IVM program required 52 FTEE and incurred costs totaled $5.1 million, or $86.27 per case completed.

Prior OIG Recommendations Were Not Fully Implemented

On March 27, 1996, OIG issued a report, *"Review of VHA's Income Verification Match Program"*, which found that VHA had the opportunity to increase MCCF program billings, enhance IVM program cost benefits, and improve services to veterans. VHA agreed to recommendations to improve IVM operations by (a) ensuring medical facilities promptly bill cases referred by the HEC; (b) requiring the HEC to verify veterans' income information for multiple years during the verification process; and (c) authorizing the HEC

to electronically correct C&P disability status inaccuracies in veterans' records at VHA facilities. For purposes of our follow-up evaluation we focused on HEC FY 1997 match results. We found that the recommendations in the March 27, 1996 report were not fully implemented.

Medical Facilities Needed to Give Greater Priority to Billing HEC Referrals

We reviewed a statistical sample of 420 cases selected from 52,105 cases which HEC records indicated had been referred to medical facilities for billing during FY 1997. We found medical facility staff generated billings totaling $400,881 of which $147,873 (37 percent) had been collected. We also found facility staff had not billed 170 (40 percent) of the 420 HEC billing referral cases for a total of $103,640. Based on our sample results, we project that the universe of 52,105 billing referrals contained 21,090 cases with billing errors totaling $12.8 million. Using the 37 percent collection rate achieved on the bills that were generated, we estimate that VHA lost $4.8 million in MCCF collections. (See Appendix III on page 13 for more details regarding our projection).

Multiple Year Income Verification Had Not Been Implemented

Although VHA advised us the HEC was verifying veterans' income for multiple years, we found the HEC continued to verify income information for the one year that income was matched with the IRS and SSA. Analysis of cases worked during FY's 1997 and 1998 identified 6,829 cases in which HEC staff verified, in separate procedures for each year, that the same veterans underreported their income and inappropriately received medical care at no cost. At a cost of $86.27 per case verified, the HEC incurred $589,138 in additional and unnecessary processing costs for the 6,829 cases by not verifying the income of these veterans for both years at the same time. HEC's workload was unnecessarily increased by working each case twice, and billing referrals for the most recent year were delayed, resulting in diminished collection potential and additional processing costs for VHA facilities to bill.

Programming for Electronic Correction of C&P Status Was Being Field Tested

Veterans receiving C&P benefits are exempt from means testing at VHA facilities. Inaccurate C&P eligibility status in veterans' hospital records can result in inappropriate means testing and referral to the HEC for income matching. Programming to enable the HEC to electronically correct C&P disability status inaccuracies in veterans records was still being field tested, and as a result 4,071 veterans with incorrect C&P status in facility records were unnecessarily means tested and matched with IRS and SSA during FY 1997. Establishing the HEC's capability to electronically correct C&P disability status inaccuracies in veteran hospital records will avoid the inconvenience to veterans and reduce VA's cost to conduct unnecessary means tests.

Management Needs to Implement Previous Agreed to Recommendations

VHA management can significantly improve IVM program results and enhance services to veterans by implementing our recommendations to (a) ensure medical facilities promptly bill cases referred by the HEC, (b) requiring the HEC to verify veterans' income for multiple years, and (c) authorizing the HEC to electronically correct C&P disability status inaccuracies in veterans' hospital records.

Opportunities to Further Enhance MCCF Collections and to Conduct IVM Operations in a More Efficient Manner

We identified additional opportunities for VHA to enhance MCCF recoveries and to conduct IVM operations in a more efficient manner by:

- properly means testing veterans at VHA facilities,
- obtaining correct SSNs,
- working cost effective cases, and
- ensuring cases are referred from the HEC to VHA facilities for billing.

Improper Means Testing Reduced Collections and Increased HEC Costs

For FY 1997, HEC matched the income reported for 697,241 veterans with IRS and SSA. The match identified 106,165 (15 percent) veterans whose reported income exceeded statutory thresholds and were potentially responsible for making medical care co-payments. Based on the information received as a result of HEC's income match, 85 percent of the means tested veterans were confirmed to have income below the statutory threshold. Therefore, we concluded that most veterans accurately report their incomes when given the opportunity to complete the income reporting form.

We found and verified with each facility that 195 (46.4 percent) of the 420 cases sampled had no signed means test on file. In most of these cases, the veterans were not actually means tested and consequently should not have been referred for income matching and verification. By ensuring that signed means test forms were obtained for all veterans required to furnish income information, VHA could have (a) documented an estimated 24,192 veterans' attestation of income and receipt of Privacy Act information before matching with IRS/SSA, (b) increased MCCF collections $5.7 million by billing veterans and insurance carriers in a timely manner, and (c) avoided unnecessary workload and associated case processing costs of nearly $2.1 million at the HEC. (See Appendix III on pages 14 and 15 for more details regarding our projections.)

Means Test Deficiencies Continued to Occur

We expanded our review of means testing procedures by statistically sampling 200 of 80,381 means tests conducted by VHA facilities between April 1, 1998 and May 31, 1998. We found 83 (41.5 percent) of the 200 cases had no signed means test on record at the facility responsible for transmitting the means test information to the HEC for future matching with IRS and SSA. We estimate 33,358 of the 80,381 veterans were improperly means tested during April and May 1998 (See Appendix III, page 15 for details regarding our estimate). Two of the cases reviewed involved veterans whose only contact with VA was their participation in a "free" veteran's health care screening outreach event. The VHA facility conducted the screening outreach events in part to increase their patient enrollment. However, facility staff, without obtaining income information from the veterans, input means test income in order to obtain patient workload credit. These veterans, without their knowledge, were referred to the HEC for eventual income matching, and potential billing if their incomes are above statutory levels. One of the veterans also had health insurance and VHA could potentially inappropriately bill the insurance carrier for this free health screening.

During our evaluation we also became aware of a medical facility where management had a written policy authorizing the "stuffing" (data entry) of erroneous income information into the veterans' means test record when facility staff did not obtain income information from the veteran. According to the medical facility's policy, veterans' income information was "stuffed" in order to receive patient workload credit. The income information "stuffed" was below the statutory level to qualify the veteran for free medical care. However, all means tested veterans with incomes below statutory levels are subject to income verification and matching with IRS and SSA. During April and May 1998, the medical facility transmitted 573 veterans means tests to the HEC for eventual income matching with IRS and SSA. We found 189 (33 percent) of the 573 means tests had income amounts that were apparently "stuffed" below the statutory level to qualify those veterans for medical care at no cost. When medical centers strive to increase patient workload and fail to conduct means tests they risk violating both Privacy Act requirements and VA's matching agreement with the IRS. In addition, the medical centers create customer relation problems, lose needed revenues due to untimely billings and create unnecessary income verification work. Based on the results of our review we concluded increased management oversight of the means testing activities at VHA facilities was needed.

Invalid SSNs Limit the Effectiveness of the IVM Program

The HEC could not obtain income information from IRS and SSA for 79,689 veterans and 538,173 spouses of means tested veterans because of invalid SSNs or demographic discrepancies such as date of birth or gender contained in facility records. HEC needs to obtain valid SSNs and correct demographic information in order to conduct income verification. By obtaining valid SSNs and verifying income with IRS/SSA, the HEC could

have identified an additional 20,426 cases for referral to VHA facilities with resulting estimated additional collections of over $3.4 million. (See Appendix III on page 17 for more details regarding our projection.)

Working Cost Effective Cases Will Improve the Efficiency and Cost Effectiveness of HEC's Operations

Our 420 case sample included 122 cases (29 percent) which involved only one or two outpatient visits. HEC's unit cost to process a case was $86.27; therefore the total cost of working the 122 cases was $10,525. The total billable amount for the 122 cases was only $4,730 and collections were only $1,407 for these 122 cases. On average, it cost the VHA $86.27 to collect $11.53 in these cases.

By only working cases with 3 or more outpatient visits, the HEC could avoid working an estimated 15,135 cases with an annual net loss of over $1.1 million. Also, the HEC can avoid subjecting an estimated 4,100 veterans, with incorrectly coded medical treatment visits (e.g., the only service received was for a non-billable visit for a C&P exam), to unnecessary income verification and potential improper billing. (See Appendix III on page 16 for more details regarding our projections.)

Referring All HEC Cases for Billing Will Increase MCCF Collections

Our review of operations at the HEC found that their internal control system did not include sufficient procedures to ensure all cases were referred to VHA facilities for billing after verification was completed. We identified 1,438 cases that had not been referred to VHA facilities for appropriate billing action. HEC took corrective action to refer the cases, which based on HEC's average collection rate of $170 per case referred, could increase MCCF co-payment collections by about $244,460.

Performance Standards and Quality Monitors Needed

VHA had not established performance standards or quality monitors for facility staff conducting means tests or billing and collecting of HEC referrals. The MCCF Program Office has developed and issued to all VHA facilities management tools designed to improve MCCF operations (Diagnostic Measures and Autobiller).

- Diagnostic Measures allows VA managers to trend and monitor MCCF program operations including means testing, billing and collections.

- The Autobiller helps ensure that insurance carriers are billed accurately and in a timely manner.

VHA managers can use these tools to help establish performance standards and quality monitors. The HEC can also provide quarterly reports containing the number of cases referred and the number of cases billed and not billed for each facility. VHA managers can use the information in establishing quality monitors and measuring performance.

Improving Oversight of HEC Operations Will Enhance IVM Program Effectiveness and Service to Veterans

VHA's Chief Information Officer needs to increase oversight of HEC operations and to develop performance measures and monitor periodic performance reports to ensure the HEC: (1) performs multiple year income verification, (2) electronically corrects C&P disability status inaccuracies in veterans records, (3) obtains correct SSNs for veterans and spouses and conducts appropriate verification of income, (4) works cost effective cases (i.e., having three or more outpatient visits), and (5) refers all cases to facilities for billing. By implementing multiple year income verification the HEC can more efficiently use resources valued at nearly $600,000. By working cost effective cases, the HEC can more efficiently use resources totaling over $1.1 million. These resources can be reprogrammed to work other cases or to conduct other activities.

Centralizing Means Testing Activities at the HEC Can Significantly Improve Operations

By centralizing means testing activities at the HEC, VHA can better ensure veterans are properly means tested. Veterans can complete the means test in the privacy of their homes where they have access to their financial records; thereby increasing the accuracy of the income information provided as well as information such as SSN's and health insurance coverage. By obtaining the signed means test document directly from the veterans, the potential of Privacy Act and IRS matching agreement violations will be minimized and MCCF collections will be enhanced by more accurate and timely identification of veterans subject to co-payments and billable health insurance policies. The efficiency of HEC operations will improve by eliminating unnecessary workload pertaining to veterans that are not properly means tested, and reducing operating costs of nearly $2.1 million.

Conclusion

We concluded VHA can ensure compliance with Privacy Act requirements, increase funding available for health care by $14.2 million, and put resources valued at $3.8 million to better use, by requiring VISN Directors to establish performance monitors for means testing activities and billing and collection of HEC referrals. Additionally, to further ensure achievement of these monetary benefits, VHA management needs to implement previous recommendations and the Chief Information Officer needs to increase oversight of HEC activities, to include developing performance measures and monitoring periodic

performance reports. VHA also needs to expedite action to centralize means testing activities at the HEC.

Recommendations

We recommend that the Under Secretary for Health improve IVM program activities by:

1. Requiring the Chief Network Officer to ensure that VISN Directors establish performance standards and quality monitors, and strengthen procedures and controls for means testing activities and billing and collection of HEC referrals to include:

(a) designating specific managers at the VISN and at each facility who will be accountable for monitoring facility means testing activities and billing and collection of HEC referrals to ensure compliance with requirements and achievement of performance goals,

(b) instructing staff to enter into the veterans' administrative records only means test income information that is actually provided by and attested to by veterans,

(c) requiring staff to review and appropriately bill HEC referrals within 60 days of receipt,

(d) notifying staff that means testing activities and billing and collection actions on HEC referrals will be actively monitored by VISN and facility management,

(e) obtaining quarterly reports from the HEC of the number of cases referred and the number of cases billed and not billed for each facility,

(f) reviewing a sample of cases to verify appropriate billing and compliance with the 60 - day billing standard and to determine why unbilled referrals were not billed and taking appropriate corrective action, and

(g) furnishing quarterly management reports for each facility to the VISN Director and Chief Network Officer.

2. Requiring the Chief Information Officer to develop performance measures and monitor periodic performance reports to ensure the HEC:

(a) performs multiple year income verification,

(b) electronically corrects C&P disability status inaccuracies in veterans records,

(c) obtains correct SSNs for veterans and spouses and conducts appropriate verification of income,

(d) works cost effective cases (i.e., having three or more outpatient visits), and

(e) transmits all billing referrals to facilities.

3. Expediting action to centralize means testing activities at the HEC.

(Monetary impact associated with the recommendations is shown in Appendix IV, page 18.)

Comments of the Under Secretary for Health

The Under Secretary for Health concurred with the findings, recommendations, and estimated monetary impact.

Implementation Plan

The Under Secretary provided an implementation plan which addressed each recommendation and included estimated target completion dates for taking corrective action. (see Appendix V on pages 19-25 for the full text of the Under Secretary's comments.)

Office of Inspector General Comments

The implementation plan is acceptable and we consider all issues resolved. However, we will follow up on the implementation of planned corrective actions.

APPENDIX I

BACKGROUND

In accordance with United States Code Title 38, the Department of Veterans Affairs (VA) collects fees (co-payments) for medical care and medications provided certain veterans for non-service-connected (NSC) conditions. VA also collects from third party health insurers the cost of medical care furnished to insured veterans for treatment of NSC conditions. Each year veterans who may be subject to medical co-payments must provide VA with family income information (means test) and health insurance information. By signing their means test disclosures, veterans attest to the accuracy of the income information and certify receipt of a copy of the Privacy Act Statement. The Privacy Act Statement advises veterans that the income information they provide is subject to verification by computer matching with the records of the Internal Revenue Service (IRS) and the Social Security Administration (SSA). Veterans Health Administration (VHA) facilities are required to retain signed means test forms in the veterans' administrative records. Veterans must make co-payments if their families' annual income exceed statutory levels.

Veterans with income below statutory levels are eligible to receive VHA medical care at no charge. The Health Eligibility Center (HEC) in Atlanta, GA, conducts computer matches with the IRS and SSA to verify veterans' reported incomes. The HEC relies on information gathered by each facility to determine which veterans are income matched. The HEC also relies on each facility to obtain accurate social security numbers (SSNs) for veterans and their spouses in order to be able to obtain income information from the IRS and SSA. Generally, some veterans are exempt from co-payments and VHA income verification matching with the IRS and SSA if they receive compensation and pension (C&P) benefit payments or obtain certain medical services, such as Gulf War Registry or C&P disability examinations. Veterans, subject to income matching, whose incomes are confirmed by the HEC to exceed statutory thresholds are referred to the VHA facility which provided medical care for appropriate billing and collection for medical services received.

According to HEC records, the FY 1997 referrals had billings totaling $13.2 million in co-payments and $4.9 million from health insurance carriers. The IVM operation required about 52 full-time equivalent employees and IVM program costs totaled $5.1 million, or $86.27 per case completed, while collections averaged about $170 per case referred.

OBJECTIVE, SCOPE AND METHODOLOGY

Objective

The purpose of our evaluation was to follow-up on the implementation of recommendations made in an Office of Inspector General report issued on March 27, 1996, entitled *Review of VHA's Income Verification Match Program*, and to determine whether there are opportunities for Veterans Health Administration (VHA) to conduct the Income Verification Match (IVM) program in a more efficient and cost effective manner.

Scope and Methodology

For purposes of our follow-up evaluation, we focused on Fiscal Year (FY) 1997 IVM results for which Health Eligibility Center (HEC) records indicate 697,241 veterans were matched with the Internal Revenue Service and Social Security Administration. The match identified 106,165 (15 percent) veterans whose incomes exceeded statutory thresholds and were potentially responsible for making medical care co-payments. During FY 1997 HEC records indicate verification was completed on 59,420 veterans resulting in 52,105 referrals being made to VHA facilities for appropriate billing and collection.

Our methodology included the following:

(1) Reviewed the applicable VHA policies and procedures for means testing and income verification matching.

(2) Obtained an overview of VHA's IVM program from discussions with HEC, VHA, and Assistant Secretary for Management officials.

(3) Analyzed IVM processing procedures and FY 1997 workload, administrative, and fiscal records at the HEC.

(4) We statistically sampled 420 of the 52,105 case universe. For each sampled case, we

a) Reviewed Veterans Health Information Systems and Technology Architecture extracts of means tests, accounts receivable profiles, billing profiles, and patient appointment profiles (to include inpatient and outpatient care, add/edits, dispositions and enrollments);

b) Requested signed means tests forms from responsible VHA facilities;

c) Verified veterans' eligibility status for VHA care; and

d) Analyzed billing and collection results for the sampled cases.

(5) Conducted onsite reviews of IVM program operations at VA Medical Centers Bay Pines and Tampa, FL, and

(6) Briefed VHA program officials during the evaluation process, and discussed software programming issues with appropriate staff at the Albany Office of Information and HEC.

The evaluation was conducted in accordance with generally accepted government auditing standards for staff qualifications, independence, and due professional care; work standards for planning, supervision, and evidence; and, reporting standards for performance audits.

DETAILS OF REVIEW
SAMPLING PLAN AND RESULTS

Evaluation Universe

We selected for evaluation, cases that were identified by the Health Eligibility Center (HEC) during Fiscal Year (FY) 1997 as having been referred to Veterans Health Administration (VHA) medical facilities for billing. The evaluation universe consisted of 52,105 billing referrals.

Sample Design

The purpose of our case selection was to determine if VHA facility staff had conducted means testing and billing activities appropriately. The sample was based on an attribute sampling design at a 90 percent confidence level. We randomly selected 420 cases from the 52,105 case universe.

Sampling Results

Projected Cases of Non-Billed Medical Care

We found that 170 of the 420 billing referral cases tested had not been properly billed, a total of $103,640. Projecting our results to the universe of cases, we estimate that billing errors occurred in 21,090 cases resulting in lost collection potential of $4,757,322 in Fiscal Year 1997. Our projection has a 90 percent confidence level and a sampling error of +\-3.924%, resulting in a lower limit of 19,046 cases and an upper limit of 23,135 cases. The projected dollar value of $4,757,322 was arrived at by the following calculation:

Population Size	Sample Size	Number of Cases with Billing Errors	Projected Number of of Cases	Amount of Unbilled Care	Projected Dollar Amount
52,105	420	170 (40.4%)	21,090	$103,640	$12,857,627

VHA staff generated billings totaling $400,881, of which $147,873 (37 percent) was collected. Based on the 37 percent collection rate achieved on the billed cases, we estimate VHA lost $4,757,322 in collections ($12,857,627 x .37).

Projected Cases With Means Testing Deficiencies

We found in 195 cases (46.4 percent) of the 420 cases sampled that VHA facilities had no signed means test on file. Projecting our sample results to the universe of cases, we estimate that VHA inappropriately matched 24,192 cases and the HEC's workload was unnecessarily increased. Our projection has a 90 percent confidence level and a sampling error of +/- 3.987% with a lower limit of 22,114 cases and an upper limit of 26,269.

Population Size	Sample Size	Number/Percent Not Subject To Matching	Projected Number of Cases
52,105	420	195 (46.4%)	24,192

At a cost of $86.27 per case verified, the HEC incurred $2,087,044 in additional and unnecessary processing costs for the 24,192 cases (24,192 x $86.27).

Projected Amount of Lost MCCF Collections

By not conducting means tests appropriately, veterans were misclassified as entitled to care at no cost, and insurance carriers subject to billing for medical care were not identified. The HEC's income identification process was conducted two years after care was provided. Delaying collection until two years after the care was provided resulted in significantly diminished collectability. Veterans who could afford to pay for their care at the time it was furnished may subsequently have had changes in their financial situation (e.g., loss of job, retirement or death) which would adversely impact on their ability to pay. Additionally, health insurance carriers generally will not pay claims when billing occurs two years after care was provided. The 195 cases with unsigned means tests had the following billing and collection results.

	Amount Billed	Amount Collected
Copayments	$73,357	$19,272
Insurance	13,521	815
TOTAL	$86,878	$20,087

Average Collection per case $103.01 ($20,087/195)

According to Medical Care Cost Fund (MCCF) program statistics[1], facilities that billed veterans co-payments when care was provided collected 83.62 percent of the amount billed. Additionally, facilities who billed insurance companies timely collected 37.37 percent of the amount billed. We applied MCCF program collection rates to the billable care received by the 195 veterans with no signed means test. Because veterans and insurance carriers were not billed at the time care was provided, VHA facilities lost an opportunity to collect over $5.7million, as shown below:

	Amount Billable	MCCF Collection Rate	Estimated Collection
Copayments	$73,357	83.62%	$61,340
Insurance	$13,521	37.37%	5,053
TOTAL			$66,393

Estimated average collections per case if timely billed $340.48 ($66,393/195)

Amount of collection potential lost per case $237.47 ($340.48 - $103.01)

Projected amount of lost collections $5,744,874 (24,192 x $237.47)

Projected Number of Means Test Deficiencies

We found 83 of the 200 sampled means tests conducted by VHA facilities between April 1, and May 31, 1998 had no signed means test on record at the respective facility. Projecting our sample results to the universe of means test completed, we estimate 33,358 of the 80,381 veterans were improperly means tested during the two-month period. This projection has a confidence level of 90 percent with a sampling error rate of +/- 5.724%, resulting in a lower limit of 28,757 and a upper limit of 37,959.

[1] Medical Care Cost Recovery Strategic Direction & Business Plan 1996

Projected Loss of Working Cases With Less Than Three Outpatient Visits

We found 122 (29 percent) of the 420 billing referral cases involved only one or two outpatient visits. We determined HEC's unit cost to process a case is $86.27. Based on our sample results, we project that the 52,105 case universe contains 15,135 cases with less than three outpatient visits. We used a 90 percent confidence level with a sampling error rate of +\- 3.629%, resulting in a lower limit of 13,244 and an upper limit of 17,026. We estimate the dollar value of unnecessary processing costs at over $1.1 million. Calculation as follows:

122 sample cases x $86.27 = $10,524.94 processing cost
$1,407 collected/122 = $11.53, $86.27 - $11.53 = $74.74 net process cost
15,135 cases x $74.74 = $1,131,190 net loss on processing

Invalid Social Security Numbers

For matches conducted since FY 1994, the HEC could not obtain income information from IRS and SSA for 79,689 veterans and 538,173 spouses because of invalid SSN's or other erroneous demographic data. As a result we estimate that the HEC lost the opportunity to identify and refer for billing 20,426 cases as shown below.

Veterans

For FY 1997, HEC matched the income reported for 679,241 veterans with IRS and SSA. The match identified 106,165 (15 percent) whose reported income exceeded statutory thresholds. According to HEC records, 65.2 percent of cases identified by the match which were worked resulted in billing referrals. Based on these statistics, we estimate the 79,689 veterans for whom HEC could not obtain income information from IRS and SSA would have, if matched, resulted in an additional 11,953 cases to be verified by HEC. Based on HEC's referral rate of 65.2 percent of cases worked, the 11,953 cases would have had 7,794 referrals (11,953 x .652).

Spouses

Our analysis of the 420 referrals found 100 (24 percent) of the cases where the spouse's income was material in HEC's finding that the veteran's total family income exceeded statutory thresholds. Applying our 24 percent rate and the HEC's 15 percent and 65.2 percent results described above, we estimate if HEC had been able to obtain income information for the 538,173 spouses, an additional 12,632 referrals could have been made. Calculation as follows: (538,173 x .15 =80,726 x .652 = 52,633 x .24 = 12,632).

Veteran	7,794
Spouse	12,632
Total	20,426

Average collection per HEC referral $170
Potential Lost Collections: $3,472,420 (20,426 x $170)

APPENDIX IV

MONETARY BENEFITS
IN ACCORDANCE WITH IG ACT ADMENDMENTS

REPORT TITLE: Evaluation of VHA's Income Verification Match Program

PROJECT NUMBER: 8R1-035

Recommendation Number	Category/Explanation of Benefits	Better Use of Funds	Questioned Costs
	Opportunities to Enhance Collections		
a.	Promptly Billing Cases Referred by the HEC	$4,757,322	
b.	Obtaining Valid SSN's	3,472,420	
b.	Ensuring HEC Cases are Referred for Billing	244,460	
a.c.	Appropriately Means Testing Veterans	5,744,874	
SUBTOTAL		$14,219,076	
	More Efficient Use of Resources		
b.	Verifying Veteran's Income For Multiple Years	589,138	
b.	Working Cases with Three Or More Outpatient Visits	1,131,190	
a.c.	Appropriately Means Testing Veterans	2,087,044	
SUBTOTAL		$3,807,372	
TOTAL MONETARY BENEFITS		$18,026,448	

COMMENTS OF THE UNDER SECRETARY FOR HEALTH

Department of Veterans Affairs

Memorandum

Date: MAR - 1 1999

From: Under Secretary for Health (10/105E)

Subj: OIG Draft Report, *Evaluation of VHA's Income Verification Match Program* (EDMS# 37789)

To: Assistant Inspector General for Auditing (52)

1. The appropriate program offices in VHA have reviewed the draft report. We concur with your report, the recommendations and estimates of better use of funds. Be assured that we regard the issues raised with the utmost seriousness and we are taking immediate action to address your concerns.

2. I have already requested that the General Counsel determine the potential legal impact of VA conducting income verification matches with the Social Security Administration (SSA) and the Internal Revenue Service (IRS) without veterans' written approval. I have also suspended income verification matching activities by the Health Eligibility Center (HEC) until we can ensure that all means test information is collected and the veterans sign the forms. Even now we are developing an action plan to establish processes to increase the accuracy of means test data collected at the point of entry and to identify when that data is incomplete or invalid. We expect that the VHA Chief Information Officer (CIO) will provide facilities' guidance in this area in the near future.

3. We also plan to implement the Centralized Means Testing (CMT) program in FY 1999. A centralized point for the collection of means test information should reduce the number of means tests conducted at the facility level. CMT processes will assure that veterans' means test forms are signed in order for the means test to be completed. The HEC and the Health Administration Service are developing correspondence for veterans that emphasizes the importance of completing a means test annually and the ramifications if it is not completed. In the interim, we have instructed facility managers to review their means test collection and veteran signature processes to ensure that local procedures enable the collection of accurate income data and the required signature. We recognize that this may require a 100 percent chart review to validate that veterans' signatures are obtained before the HEC can resume income verification matches for pending FY 1996 and 1997 cases; however, we believe the significant extent of this problem, as shown in your report, necessitates this action.

COMMENTS OF THE UNDER SECRETARY FOR HEALTH

2. Assistant Inspector General for Auditing (52)
(EDMS# 37789)

4. In addition, we have already contracted with the American Hospital Association (AHA) for a complete assessment of VHA facilities' compliance in coding and billing. AHA is currently conducting the initial assessment of processes, which is due in March 1999. They will also assist VHA with development of solutions to ensure that proper processes, software and other tools are in place and that staff is trained in the use of these tools.

5. Additional actions are being taken concurrent with this compliance project. I am issuing policy stating that VHA will code inpatient and outpatient records to meet Medicare standards. The CIO will ensure that the necessary changes to the VHA Information Systems Technology and Architecture (VistA) system are made to accommodate coding requirements. We are also conducting a review of the encounter forms process, including the forms and documentation requirements. As evidenced in your report, we need to provide a clear intent for the form; i.e. is it intended for medical record documentation, workload count or billing purposes. Results of this review should be available in March 1999. In keeping with your recommendation, we will establish compliance officers at the facility, VISN and Headquarters levels to ensure that there is a strong compliance program, which incorporates your recommendations, with defined accountability.

6. We believe these actions are responsive to the issues in the report. Attached is an action plan that discusses corrective action for each recommendation.

7. Thank you for the opportunity to review the draft report. If you have any questions, please contact Paul C. Gibert, Jr., Director, Management Review and Administration Service (105E), Office of Policy and Planning, at 202.273.8355.

Kenneth W. Kizer, M.D., M.P.H.

Attachment

COMMENTS OF THE UNDER SECRETARY FOR HEALTH

Action Plan in Response to OIG/GAO/MI Audits/Program Evaluations/Reviews

Name of Report: *Evaluation of VHA's Income Verification Match Program*
Project No.:
Date of Report:

Recommendations/ Actions	Status	Completion Date

We recommend that the Under Secretary for Health improve IVM program activities by:

1. Requiring the Chief Network Officer to ensure that VISN directors establish performance standards and quality monitors, and strengthen procedures and controls for means testing activities and billing and collection of HEC referrals to include:

(a) designating specific managers at the VISN and at each facility who will be accountable for monitoring facility means testing activities and billing and collection of HEC referrals to ensure compliance with requirements and achievement of performance goals,

Concur

Compliance officers will be identified at the local, VISN and Headquarters level by the CNO in conjunction with the CFO. Part of their responsibilities will be to ensure these activities are conducted appropriately and in accordance with performance and accountability standards which will be established.

In process 06/30/99

(b) instructing staff to enter into the veterans' administrative records only means test income information that is actually provided by and attested to by veterans,

Concur

We are in the process of developing a specific action plan to ensure that processes are established to increase the accuracy of means test data collected and to identify when that data is incomplete or invalid. Pending completion of that action plan, income verification activities at the HEC are suspended until we can assure that all means test information is collected and the veterans sign the forms. Facility managers were

COMMENTS OF THE UNDER SECRETARY FOR HEALTH

requested to review their means test collection and veteran signature processes to ensure local procedures enable collection of accurate income data and required signature during the VHA Conference Call of January 15, 1999. Facilities were advised at that time that a 100 percent chart review may be required before the HEC can resume income verification matches for pending Income Year 1996 and 1997 cases.

We believe that implementation of the CMT program will ultimately provide VHA with a centralized point for collection of means tests, reducing the number of tests performed at local facilities and improving data and processes through improved collection of completed and signed means tests forms.

In process 09/30/99

(c) requiring staff to review and appropriately bill HEC referrals within 60 days of receipt,

(d) notifying staff that means testing activities and billing and collection actions on HEC referrals will be actively monitored by VISN facility management,

Concur

Review and monitoring of these activities will be the responsibility of compliance officers.

In process 06/30/99

(e) obtaining quarterly reports from the HEC of the number of cases referred and the number of cases billed and not billed for each facility,

Concur

Beginning with the second quarter, FY 1999, the CIO will provide this information to network directors and compliance officers. Reporting will be on a quarterly basis.

In process 03/31/99

(f) reviewing a sample of cases to verify appropriate billing and compliance with the 60-day billing standard and to determine why unbilled referrals were not billed and taking appropriate corrective action, and

COMMENTS OF THE UNDER SECRETARY FOR HEALTH

Concur

Review and monitoring of these activities will be the responsibility of compliance officers.

In process 06/30/99

(g) furnishing quarterly management reports for each facility to the VISN director and Chief Network Officer.

Concur

Review and monitoring of these activities will be the responsibility of compliance officers. The HEC will make quarterly reports available via the HEC Intranet web site. The ability to provide monthly reporting is currently being considered and will be attempted, if feasible.

In process 06/30/99

2. Requiring the Chief Information Officer to develop performance measures and monitor periodic performance reports to ensure the HEC:

(a) performs multiple year income verification,

Concur

Two approaches (one prospective, the other retrospective) are being tried to implement this recommendation. For prospective verification, those veterans changed from Category A to Category C after verification and who also reported Category A income information for the following year will be advised to review that year's income information to determine if it should be edited. This request will be included in the letter that advises the veteran of the change from Category A to Category C based on the verification results. This approach unfortunately puts the responsibility for revising income information on the veteran as the HEC will not generally have access to IRS or SSA income information for that year and cannot verify the income information. (For example, income information for tax year 1997 was not available to HEC until fall 1998) We plan to implement this approach by June 30, 1999. Appropriate measures to monitor performance will be concurrently introduced.

The retrospective approach involves changing the HEC's software so that when a user begins to verify a veteran's income information a look up is performed to see whether

COMMENTS OF THE UNDER SECRETARY FOR HEALTH

there were income discrepancies for the veteran in previous years that have not yet been worked. If unopened cases for the veteran are identified, the cases will be opened and verified concurrently. We plan to implement this approach by September 30, 1999. Appropriate measures to monitor performance will be concurrently introduced.

In process	09/30/99 and on-going

(b) electronically corrects C&P disability status inaccuracies in veterans records,

Concur

The software for electronically correcting C&P disability status inaccuracies was released to field facilities on November 23, 1998, as part of the national enrollment software release.

Completed	11/23/98

(c) obtains correct SSNs for veterans and spouses and conducts appropriate verification of income,

Concur

Modification of the HEC software is necessary to reverify self-reported SSN information with SSA before transmission to sites involved in a veteran's care. The CIO staff is investigating the feasibility of allowing look up of a veteran's electronic record in VistA by either the veteran's verified or alias SSN in order to facilitate update of verified SSN information and eliminate the need to manually change paper records. The feasibility study is due by June 30, 1999. Final decisions on how/if to implement this change will follow.

In process	6/30/99 and on-going

(d) works cost effective cases (i.e., having three or more outpatient visits), and

Concur

COMMENTS OF THE UNDER SECRETARY FOR HEALTH

HEC software was modified to eliminate cases with less than three outpatient visits from the criteria of cases to be verified. This change was implemented with income year 1996 cases.

Completed On-going

(e) transmits all billing referrals to facilities.

Concur

A new quality assurance measure was implemented at the HEC. Supervisors generate a weekly report reflecting cases that have not been transmitted. This information is provided to the contact representative responsible for the case so that transmission is accomplished in a timely manner.

In process On-going

3. Expediting action to centralize means testing activities at the HEC.

Concur

As cited in recommendation 1b., CMT software will be available in FY 1999.

APPENDIX VI

FINAL REPORT DISTRIBUTION

VA Distribution

The Secretary of Veterans Affairs
Under Secretary for Health (105E)
Assistant Secretary for Financial Management (004)
General Counsel (02)
Assistant Secretary for Congressional Affairs (009)
Deputy Assistant Secretary for Congressional Operations (60)
Assistant Secretary for Public and Intergovernmental Affairs (002)
Office of Management and Financial Reports Service (047GB2)
Chief Network Officer (10N)
Chief Financial Officer (17)
Chief Information Officer (19)
Director, MCCF Program (174)
Directors, Veterans Integrated Service Networks (1-22)
Director, Health Eligibility Center (742)

Non-VA Distribution

Office of Management and Budget
U.S. General Accounting Office
Congressional Committees:

- Chairman, Senate Committee on Veterans' Affairs
- Ranking Member, Senate Committee on Veterans' Affairs
- Chairman, House Committee on Veterans' Affairs
- Ranking Democratic Member, House Committee on Veterans' Affairs
- Chairman, Senate Committee on Appropriations
- Ranking Member, Senate Committee on Appropriations
- Chairman, House Committee on Appropriations
- Ranking Democratic Member, House Committee on Appropriations
- Chairman, Subcommittee on VA, HUD, and Independent Agencies, Senate Committee on Appropriations
- Ranking Member, Subcommittee on VA, HUD, and Independent Agencies, Senate Committee on Appropriations
- Chairman, Senate Committee on Governmental Affairs
- Ranking Member, Senate Committee on Governmental Affairs
- Chairman, House Committee on Veterans’ Affairs, Subcommittee on Hospitals and Health Care
- Ranking Member, House Committee on Veterans’ Affairs, Subcommittee on Hospitals and Health Care